Shares in Dr Martens plummet after it discovers problems at US warehouse

S
hares in Dr Martens plummeted on Thursday as the business said that unseasonably warm weather last autumn and problems at a warehouse have eaten into its performance in the US.

The company downgraded its outlook for the financial year after what boss Kenny Wilson said had been a "challenging" period.

The shoe brand said that it has recently found "significant operational issues" at its new Los Angeles distribution centre.

The business said that problems had arisen as its stock had moved from a distribution centre in Portland to the new third-party site in LA faster than had been planned.

The business had also told some of its US wholesalers that they could use the distribution centre to store some of their shipments, while the shipping times from factories to the warehouse dropped, adding more stock to the already overloaded site.

Read More

- London stocks underperform European peers despite inflation dip
- Burberry's boosted sales dragged down by Covid lockdowns in China
- FTSE slips back after briefly striking four-year high
- SPONSORED

[Why Le Creuset cookware should be on your shopping list]

All this came together to create serious bottlenecks at the warehouse, which has created problems getting shoes to wholesale customers.

Demand for Dr Martens remained resilient through challenging conditions during our peak trading period of Q3

Dr Martens said that its most experienced supply chain experts are in the US, working on a solution to the problems. But this was not enough to soothe investors.

The business's shares dipped 21% on Thursday morning after the news was revealed.

Before the problems – and reduced sales in the US thanks to the unseasonably warm weather – Dr Martens slashed its outlook.

Bosses had previously expected revenue to grow in the "high teens" in the financial year. Now they only expect growth between 11% and 13%, the business said on Thursday.

The bottleneck at the LA warehouse alone will shave £15 million to £25 million off wholesale revenue this financial year. There will also be knock-on effects into next year.

"Demand for Dr Martens remained resilient through challenging conditions during our peak trading period of Q3," said chief executive Kenny Wilson.

"However, due to a combination of significant operational issues creating a bottleneck at our new LA distribution centre and weaker than anticipated US DTC (direct-to-consumer) trading, in part due to unseasonably warm weather, we now expect full-year revenue growth of 11-13% on an actual currency basis."